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THE INTERNATIONAL INDEBTEDNESS OF THE UNITED STATES IN 1789.

It is not necessary to lay stress upon the significance of international credit relations in modern civilization. Students, business men, and politicians, all find in their own particular fields difficult problems arising from these relations. The paramount importance of the general subject lends interest to branches of it that would otherwise be dry and lifeless, sanctions the acceptance of proximate results when nothing more exact can be obtained, and for each particular problem justifies the best possible method of treatment, however poor that may be.

The present article is based on the assumption that the liabilities of one country to other countries can, in general, be better determined by the methods used in ordinary business than by any other process. If we wish to ascertain the indebtedness of an individual or corporation at any given time, we go the records of their dealings with others. The balance that we obtain by the careful study of such records is corrected by comparison with all the evidences of obligation, in the different forms of credit instruments that can be obtained. The result thus obtained is considered practically correct.

In investigating the results of international transactions it will be convenient, as is often the case in private accounts, to divide the period to be investigated into sections.¹

Before proceeding, it is necessary to understand just what is to be included under the expression, international indebtedness, as here used. There is a large amount of wealth in the United States which residents of England have the right to demand whenever they choose. It is assumed that the value of this wealth at any given time determines the amount of our interna-

¹ The present article is one of a projected series of articles dealing with the international credit relations of the United States.

tional indebtedness to England at that time. When William Waldorf Astor became a resident of London the international indebtedness of the United States was increased by the value of his real estate in New York. When Miss Vanderbilt married the Duke of Marlborough she added the market price of her railroad stocks to that indebtedness. These are but two examples of the numberless ways in which rights to property lying in the United States becomes vested in the residents of other countries. The expression, "International Indebtedness of the United States," is used in this article to signify the sum total of all such rights.

The international dealings of the United States¹ previous to 1700 undoubtedly resulted in a balance of account, and probably in a balance of indebtedness against this country. But the data for ascertaining such balance are few in number, scattered, and of an unsatisfactory nature. Further, the small amount of the balance that would be found after much time spent in gathering and sifting the material, would be insignificant when compared with the larger amounts annually entered in the accounts of the succeeding period (1700-1789). It has, therefore, seemed best to open our ledger with the date 1700. The year 1789 has been chosen as the limit to the present inquiry, for several reasons. In that year the government of the United States began to make official record of at least some part of our international dealings. Up to that time the records are incomplete and very unsatisfactory, and whatever results are obtained must be reached by a free handling of the material, such as could not be excused under more favorable circumstances. Moreover, the greater significance of the balances to be obtained after that date demand that they be determined by more exhaustive search for data, more exact methods in their use, and a more critical scrutiny of the results.

¹ The historically incorrect but much more convenient term, United States, is used throughout the article to indicate those North American colonies of England that have since become the United States.

The systematic treatment of the international dealings of a country render a certain amount of classification of such dealings necessary. Through such classifications we shall have the international indebtedness at any given time, in a number of smaller balances. The most important of these is the balance of trade, meaning by this term the balance resulting from the interchange of commodities, so far as such interchange is a matter of official record.

The only basis for estimating the value of the commodities imported and exported during this period are the official records of the British government. These are quite defective, for the reason that all customhouse returns were made at the valuations of the year 1697.¹ For this, however, it will not be necessary to make allowance in each particular entry, but when the totals have been obtained for the whole period, correction can be made for the probable effect of this system of valuation.

Statements compiled from the original records show that the imports from Great Britain into the United States during this period were as follows :

1700-1780,	-	-	-	-	-	-	£72,490,128 ²
1781,	-	-	-	-	-	-	847,882 ³
1782,	-	-	-	-	-	-	256,324 ⁴
1783,	-	-	-	-	-	-	1,435,229 ⁵
1784-1789,	-	-	-	-	-	-	14,011,506 ⁶
							£89,041,069

There is no official record showing the amount of the imports into the United States from other countries than Great Britain during this period. However, there is a record of the entire

¹*American State Papers: Class I, Foreign Relations*, vol. ii. p. 412.

²SHEFFIELD, *Observations on the Commerce of the American States*, table No. 9, p. 24. See *Ibid.* appendix, p. 278 for the exactness of the figures. Comparison with the official values of exports and imports of Great Britain as given in MACPHERSON, *Commerce*, vol. iii. pp. 351-588 for the decade 1761-1770 indicates that the official valuations, *i. e.*, the market values, of 1697 were used in Sheffield's tables.

³MACPHERSON, *Annals of Commerce*, vol. iii. p. 706.

⁴*Ibid.*, vol. iii. p. 727.

⁵*Ibid.*, vol. iv. p. 40.

⁶PITKIN, *Statistical View* (Edition of 1817), p. 30.

foreign trade of the United States for the year 1769 which furnishes a basis, unsatisfactory though it may be, for an estimate of their value.¹ Much as we may dislike to estimate the century's trade on the basis of a report for one year, it is the best we can do. For two reasons, the result obtained probably increases the debit side more than the facts in the case would justify if they could be obtained. In the first place, the proportion of trade done with other nations than England had probably increased during the century ; and second, there can be no doubt but the share of the whole import trade which was done with England in 1769, was more or less decreased by the non-importation agreements. The imports from Great Britain for the year were £1,604,975. The imports from all countries during the same time were £2,623,412. Assuming that these figures correctly indicate the proportion between imports from England and the total imports for the entire period, the total amount of merchandise imported into the United States from 1700 to 1789 would be £145,542,086. While we cannot expect this result to be absolutely correct, the attempt to better it by making allowance for the many small causes that might be suggested as affecting it, would be useless labor.

The exports from the United States to Great Britain during the same period were as follows :

1700-1780,	-	-	-	-	-	-	-	-	£51,471,840 ²
1781,	-	-	-	-	-	-	-	-	99,848 ³
1782,	-	-	-	-	-	-	-	-	28,676 ³
1783,	-	-	-	-	-	-	-	-	314,059 ⁴
1784-1789,	-	-	-	-	-	-	-	-	5,453,682 ⁵
									<hr/> £57,368,105 ⁶

¹ MACPHERSON, *Annals of Commerce*, vol. iii. p. 571.

² SHEFFIELD, *Observations on the Commerce of the American States*, Table IX, p. 24.

³ *Ibid.* Table XIV.

⁴ MACPHERSON, *Annals of Commerce*, vol. iv. p. 40.

⁵ PITKIN, *Statistical View*, p. 30.

⁶ CHAS. H. EVANS, *Exports from American Colonies*, p. 7. The compilation of Mr. Evans for the United States Government, taken from Macpherson on *Commerce*

The basis for an estimate of the total exports from the United States to all countries is given by tables published by Sheffield and Macpherson. These tables give the following account of the exports for the years 1769 and 1770 :

	To Great Britain.	To all countries.
1769, - - -	£1,531,516	£2,852,441 ¹
1770, - - -	1,650,000	3,330,000 ²
	£3,181,516	£6,182,441

On the basis thus established for the years 1769 and 1770, the exports from the United States to all countries during the entire period come to £111,794,165.

But in both of these totals there are errors due to their being estimated according to the valuations of 1697. Most of the data for correcting these errors have been found in the correspondence carried on between Mr. Anstey, as representative of Great Britain, and Mr. Rufus King, our minister at the court of St. James, in their discussion of the probable amount owed by the colonists to citizens of Great Britain at the beginning of the Revolution.³ The imports from Great Britain during the years 1773 and 1774 amounted to £2,578,536, at the official valuation. The same exports, estimated at the declared values of 1800, amounted to £3,963,415. This indicates an increase in prices of imports during the century of about 54 per cent. Mr. Anstey was of the opinion that one-third of this advance had been made in the period before 1773. As he was interested in making the largest possible estimate of the imports, we have reason to suppose that his estimate of this advance could not have been too small. Values for the period from 1780 to 1789, and HAZARD'S *Commercial and Statistical Register* gives as the total amount of exports to Great Britain, £57,932,441.

¹ SHEFFIELD, *Observations on the Commerce of the American States*, Table No. V.

² MACPHERSON, *Annals of Commerce*, vol. iii. pp. 572-3.

The figures for 1770 are given in round numbers for the reason that the table includes exports from Newfoundland, Bahama and Bermuda, which necessitates an estimated correction, based on the table of imports and exports of Great Britain for the same year found on page 518 of Macpherson's *Annals of Commerce*.

³ *American State Papers, Class I, Foreign Relations*, vol. iii. p. 412.

as given by Mulhall, indicate that not more than two-thirds of the advance in the price of imports between 1697 and 1800 had taken place at that time.¹ Two-thirds of the imports for the whole period had been brought in previous to 1770. From these data it would seem that we should certainly make the charge against the United States large enough if we add 15 per cent. to the total already obtained.

The increase in the price of exports from the southern colonies during the century² had been comparatively small. For this reason probably no more than 8 per cent. need be added to the total exports in making the correction. When these corrections are made we have, for the period 1700-1789 :

Total imports from all other countries to the United States,	-	£167,373,399
“ exports from the United States to all other countries,	-	120,737,698
<hr/>		
Estimated balance of trade against the United States for		
the entire period,	- - - - -	£ 46,635,701

The balance arising from the ocean carrying trade is generally next in importance to the balance of commerce proper among the component balances that constitute the international indebtedness of a country at any given time. This was undoubtedly the case in the indebtedness under discussion. Mr. Burke called the New Englanders the Dutch of America. They had won this title as carriers for North America, the West Indies, and part of Europe. His appreciation of the magnitude of the ocean carrying trade done by the colonies was not exaggerated. He seems to follow, or perhaps he originated, the tendency to overestimate the part taken in that trade by New England as compared with some of the other colonies. This tendency has somewhat of justification in the fact that the commercial interests of the northern colonies were so predominant as compared with their manufacturing and agricultural interests. This predominance is well shown by the following newspaper clipping: “ This morning arrived a ship from Cork loaded with beef, pork and

¹ MULHALL, *Dictionary of Statistics*, pp. 490, 493.

² *American State Papers, Class I, Foreign Relations*, vol. iii. p. 412.

butter.”¹ A clipping from the same paper commenting on the period we are investigating, indicates the importance of the carrying trade of the United States in general, during that time. It reads: “The American shipping employed in the trade of Great Britain had been a great deal more than one-half as much as the British.”²

The customhouse records of Great Britain give us no data whatever for the investigation of this branch of the subject. An attempt to determine the amount of the balance resulting from the ocean carrying trade by an itemized estimate of the freights earned by the different parties concerned would be entirely hopeless. It will be our purpose, then, to determine first whether the United States was entitled to a credit or should be charged with a debit on this score.

We may accept the general rule, that the country importing pays the freight. Now, in estimating the balance of trade the debits were reckoned on the valuations of the imports in Great Britain, and under this rule there must therefore be an additional charge against the United States for freight on all such imports as were not carried in American ships. Likewise, the United States has been credited for her exports at their value in Great Britain. So that, contrary to the usual rule, she is also to be charged with the freight on her exports so far as they were not carried by her own ships. In order to establish the proposition that the United States is not to be charged with a debit on account of the ocean carrying trade, we must prove that the colonists were their own freighters, both to and from Europe; or at least that they earned as much freight by carrying goods between other countries as other nations earned in the carrying trade between Europe and America. This is the claim that was set up by Mr. King in his discussion with Mr. Anstey. A comparison of the amount of tonnage owned by different nations during this period, so far as that may be possible, is the only means of determining whether Mr. King was justified in his claim, or whether a greater or less claim should be made

¹ *Independent Chronicle*, June 5, 1783.

² *Ibid.*, April 13, 1786.

for the United States during the entire period. And, in addition to this comparison, some allowance must be made, if possible, for the different rates of freight earned on the trade carried by each country's shipping.

It is impossible to make a comparison of the shipping owned by the different countries throughout the entire period; the best available substitute is a series of comparisons at different dates within the period. For the purpose of such comparison it is necessary to know the amount of shipping owned, or estimated to be owned, by the United States. There is no official record of this amount except so far as it is included in the reports of the shipping of Great Britain. We are compelled, therefore, to determine the amounts as nearly as possible in each case from the fugitive reports on navigation made by the colonies from time to time, and from any other sources that are available.

The next question, then, concerns the amount of tonnage owned by the United States in 1700, or near that date. The larger part of the few reports at hand bearing on the question indicate only the number of vessels owned, without stating their tonnage. A brilliant exception to this general rule is a report made to the Board of Trade of Connecticut in 1709.¹ This gives the number and total tonnage of each variety of vessels owned. It shows that the average burden of sloops was about twenty-nine tons, of brigantines sixty-six tons. The shallow harbors of Connecticut are probably a sufficient warrant for our assuming that sloops and brigantines owned by other colonies will average at least as large as those of Connecticut. The same report says that there had been no change in the amount of shipping owned in Connecticut during the preceding ten years. It may therefore be assumed that these figures give the tonnage of the colony for 1700 with sufficient accuracy for the present purpose. The bulky nature of their products, especially lumber, led the Americans to make their ships of a comparatively high tonnage. In 1723 Captain James Sterling contracted to build a ship of 700 tons.² In 1724 Governor Wentworth reported that a ship of

¹ HINMAN, *Letters*.

² PALFREY, *New England*, vol. iv. p. 452.

1000 tons was being built in Massachusetts.¹ Ketches are stated by different authorities to vary in burden from 100 to 250 tons. It is quite probable that at this time their average burden would be even less than 100 tons.

The following table has been compiled from the Connecticut report of 1709 and the report giving number, kind, and some notes as to size of ships, made to the Lords of Trade by Lord Bellomont in 1698.² The amounts for Lord Bellomont's reports have been estimated as well as possible in the light of the above data.

CONNECTICUT.							Tons.
39 sloops,	-	-	-	-	-	-	1,115
3 brigantines,	-	-	-	-	-	-	200
BOSTON.							
25 ships from 100 to 300 tons,	-	-	-	-	-	-	4,000
39 ships from 100 tons and under,	-	-	-	-	-	-	3,000
13 ketches,	-	-	-	-	-	-	1,100
50 brigantines,	-	-	-	-	-	-	3,300
67 sloops,	-	-	-	-	-	-	2,000
NEW YORK.							
6 ships above 100 tons,	-	-	-	-	-	-	900
8 ships 100 tons and under,	-	-	-	-	-	-	700
2 ketches,	-	-	-	-	-	-	170
27 brigantines,	-	-	-	-	-	-	1,800
81 sloops,	-	-	-	-	-	-	2,400
NEW HAMPSHIRE.							
11 good ships,	-	-	-	-	-	-	1,650 ³
4 ketches,	-	-	-	-	-	-	350
5 brigantines,	-	-	-	-	-	-	360
4 sloops,	-	-	-	-	-	-	120
Total,	-	-	-	-	-	-	23,165

The authentic data for estimating the tonnage owned by the other towns in Massachusetts and by the other colonies are very

¹ CHALMERS, *Revolt of American Colony*, vol. ii. p. 34.

² *N. Y. Colonial Documents*, vol. iv.

³ The fact that New Hampshire exported much lumber makes it probable that her ships were of a relatively large tonnage.

meager and unsatisfactory. Rhode Island reported to the Board of Trade in 1708 that they owned 29 sail. It is to be supposed that her shipping had increased more or less during the previous eight years. In 1721 Maryland owned 24 sail of small vessels. In 1729 the shipping of Philadelphia amounted to 6000 tons. The shipping of Virginia took but very small part in the ocean carrying trade. However her governors reported to the home government from time to time that the Virginians owned considerable fleets of small vessels. These would properly enter into our estimate since the same class of vessels will be included in the statistics of shipping owned by other nations. While there are no reports to be found as to the amount of shipping owned in the Carolinas and in New Jersey, we cannot suppose that they owned no vessels. Gloucester, Salem, and other small towns of Massachusetts were already enterprising competitors of Boston in the ocean-carrying trade. Scattered as these data may seem, and uncertain as their character certainly is, they will probably justify the addition of a sufficient amount to the total obtained for Connecticut, Boston, New York, and New Hampshire to bring the estimate of the shipping owned by the United States in 1700 up to 30,000 tons.

It is generally admitted that for several centuries past England has done more than her share of the ocean-carrying trade. It would probably answer the present purpose, therefore, to show a comparison with that country favorable to the United States. Yet, to make the case as strong as possible, the inquiry may be extended to the other leading nations. As regards the shipping of these nations in 1700, there seems to be as complete a lack of statistics as was found in the case of the United States. However, we have statistics for the amount owned in England in 1701-2, and it will be possible by means of these to form some estimate of the ships owned by other European nations. Sir William Petty estimated that in 1666 England owned one-third as much tonnage as all the rest of Europe. It is not probable that this proportion had been materially changed before 1700. Chamber's *Estimates* give the total tonnage of England in 1701-2

as 261,222 tons. Mulhall adopts these figures and says that they include the colonial tonnage; 30,000 is somewhat over one-ninth of the above amount. I therefore assume that the most conservative estimate, as regards the United States, of the comparative tonnage owned by the principal nations of the world at the beginning of the eighteenth century would give to that country one part, to England eight, and to the rest of Europe twenty-seven.

There are no figures to be obtained for the ocean freights, to be charged to the different nations, but it may be assumed that it corresponded roughly to their respective populations. Mulhall gives the population of England in 1680 at 5,532,000, that of the other leading European countries in the same year at 67.5 million, and that of the United States in 1701 at 297,000. So while we have found the tonnage owned compared as 1, 8, and 27, a like comparison of population gives us 1, 20, and 227. But as under the conditions of our problem the freight charges against the United States are double what they would be in ordinary circumstances, these last figures must be changed to 1, 10, and 113.¹ It seems, then, that on a comparison of tonnage and population the United States is entitled at the beginning of this period to a considerable credit, even after making allowance on account of using English valuations for both the export and import account.

A showing not nearly so favorable to the United States as compared with England is obtained by substituting for the figures on population the figures on clearances from the two countries during the years 1714-1717.² During that time the clearances from England were in round numbers 440,000 tons a year. During the same period the clearances from New York and Boston were 28,393 tons a year. Now while New York and Boston owned but two-thirds of the tonnage of the colonies, there are many reasons for supposing that more than that proportion of the foreign commerce of the country passed through

¹ See page 33.

² *Report of the Board of Trade, 1721. New York Colonial Documents, vol. v.*

these ports. Still, though it may be somewhat unfair to the United States, the clearances of the entire country may, for the present purpose, be estimated at one and one-half times those of Boston and New York. This gives us 42,590 tons. The indicated commerce of the two countries, then, would stand in the proportion of 1 to 11, but doubling the burden of the United States it would become 1 to 5½. This ratio, 1 to 5½, compared with the tonnage of the two countries, 1 to 8, gives to England a somewhat greater advantage over the United States as a net freight earner, than the latter country has over England according to the first comparison made, where the charges of freights against the two countries was estimated to stand in the ratio of 1 to 10.

If it be allowable to average the results of the two comparisons, it will appear that the advantage of the United States as a net freight earner is equal to that of England; or, in other words, the credit balance due the United States on account of the ocean-carrying trade was nearly if not quite equal to that earned by England at the same time. It is further to be borne in mind that much of the freighting done by the United States, especially that to the West Indies and to the coast of Africa, was of an exceptionally profitable nature.¹

It seems fairly well established that at the beginning of the period, the United States must have been earning a net credit from the ocean-carrying trade, still it must be admitted that for the next twenty years their merchant marine had very much to contend with. The wars of the early years of the century and the piracy² immediately following probably left the amount of shipping owned in the United States no larger in 1720 than it had been in 1700. Indeed there can be no doubt that in the case of Boston there was a decrease.³ The fact also that Connecticut reported in 1709 that there had been no increase in her shipping for the ten years previous is good evidence on this point.⁴

¹ WEEDEN, *Economic History of New England*.

⁴ See page 34.

² WEEDEN, *Economic History*.

³ *Report of the Board of Trade, 1721. New York Colonial Documents, vol. v. p. 598.*

During the eighteenth century the portion of the world's tonnage owned by the United States and England increased from 25 per cent. to 70 per cent.¹ With this in mind, it will probably be unnecessary to carry the comparisons for later dates beyond these two countries. There are no statistics of the amount of tonnage owned by the United States except as included under that of England at any time within this period. Mulhall says that in 1760 England owned 487,000 tons. According to Sheffield her tonnage in 1750 was 609,798 tons and in 1774, 798,864. It would seem from this that on the basis of Sheffield's figures her tonnage in 1760 would have been about 680,000. It is probably necessary to allow something for exaggeration in Sheffield's figures, but it would seem that most of the difference between this amount and the 487,000 tons reported by Mulhall must be accounted for by Mulhall's excluding and Sheffield's including the tonnage owned by the United States. We are at least warranted in inferring from these figures that that tonnage exceeded 100,000 at this time.

There are many bits of stray information that strengthen such an inference. In 1730 Rhode Island owned 5000 tons.² In 1741 Newport alone had a fleet of 120 sail.³ If we assume that these vessels were of the average tonnage usually counted at that time they would amount to 7200 tons.⁴ Her progress from that time up to the Revolution was very remarkable. Her merchants were enterprising and prosperous. It is worth notice that a large number of Jews were found among them. In the year 1769, 200 vessels were employed in her foreign trade, and she owned between 300 and 400 of smaller craft which were engaged in fishing and the coasting trade. In 1764 Providence owned 54 vessels. This period moreover was one of remarkable development in the towns of Massachusetts. Between 1721, the time at which the average burden of vessels had been reck-

¹MULHALL, *Dictionary of Statistics*.

²GREEN, *Rhode Island*, p. 149.

³*Rhode Island Colonial Records*, vol. v. p. 12.

⁴*New York Documents*, vol. v. p. 598.

oned at 40 tons, and 1760, there had been a decided increase in the size of the ships built.¹ All this taken together would seem to indicate that Rhode Island owned as much as 25,000 tons in 1760.

According to a very interesting table published in a Philadelphia newspaper of 1774, the foreign trade of that colony had so developed that it amounted to nearly twice that of all New England.² Mr. Proud, the historian of that state, claims that the Pennsylvanians built and owned the principal part of the shipping employed in this large trade. The official records of Pennsylvania show a registration of tonnage in that state from 1762 to 1774 that gives good support to this claim. In the light of this evidence, and in consideration of the fact that as early as 1729 Boston owned 40,000 tons of shipping,³ it hardly seems possible that the combined shipping of Massachusetts and Pennsylvania could have been much less than 100,000 tons in 1760.

Baltimore, though not ranking so high as a trading point then as it does now, had its men who had grown rich in the shipping business. Maryland claimed that Richard Bennett, one of her ship owning planters, was the richest man in the colonies. Ship building was a very profitable business in that state before the Revolution. She had given her home-built ships an advantage in regard to port fees which enabled them to carry the most of her foreign trade.⁴

New York City had shared, in some degree, in the general progress. In 1749 the shipping owned there amounted to 6406 tons and was increasing rapidly.⁵ It is claimed that the commerce of South Carolina was handled to a very large extent by natives of the state or those who afterwards became its citizens.⁶ The tonnage owned by Connecticut in 1774 amounted in round numbers to 10,000 tons.⁷ According to the report of the Reg-

¹ WEEDEN, *Economic History*.

³ LINDSAY, *History*, vol. ii. p. 226.

² PROUD, *History of Pennsylvania*, p. 272. ⁴ SHARF, *History of Maryland*.

⁵ BERTHOLD FERNOW, *Narrative and Critical History of America*, vol. v. p. 228.

⁶ RAMSEY, *History of South Carolina*.

⁷ *Connecticut Colonial Records*, 1774.

ister of Shipping for the colonies in 1769 the output of Connecticut's ship building industry was one-thirteenth of all the ships built in the colonies.¹ Now if we suppose that ship owning was in proportion to ship building, the total tonnage owned in the colonies in 1774 must have been in the neighborhood of 130,000 tons. The data here presented do not justify a claim in behalf of the United States for this or any other definite amount of tonnage. It may be considered sufficient, however, to warrant the statement that during all the middle part of the period under consideration the total tonnage of the merchant marine of the United States was from one-fourth to one-third as great as that of Great Britain. Estimating the total commerce of the United States from 1760 to 1770 by the same method that has been used for the period as a whole, it appears that its amount was in round numbers 48 million pounds sterling. Macpherson's tables show that the foreign trade of Great Britain during the same time amounted to 277 million pounds. In other words, we may say that while the ocean freight bills to be charged to the two nations, were as one to three, their freight earning capacities were as one to three and one-half.² That is, nearly as large a part of the American, as of the British merchant fleet could be devoted to net freight earning.

An attempt to gather exact figures on this question from the imperfect records of the jumble of events that make up the history of the last fifteen years of the period 1775-1789 would be fruitless. Fortunately for the discussion, certain broad facts pertinent to the question stand out in bold relief. During the Revolution the ordinary legitimate commerce that had previously been carried on by the colonists was almost destroyed. It follows from this that the ocean freight bills to be charged to them were exceedingly small. Their shipping on the other hand was engaged in a freight carrying business in which they received the entire cargoes in payment. The enormous profits of privateering were shared by the Tories as well as the

¹ MACPHERSON, *Annals*, vol. iii. p. 571.

² In this estimate the United States is charged double rates. See page 33.

patriots.¹ It is true that this business was carried on at an enormous expense in the loss of ships, but this debit item will more properly be considered under the discussion of the results of the ship building industry.

During the last seven years of the period the freight bills of the United States were undoubtedly very largely increased. Moreover in these years the freights earned were decreased considerably by the restrictive legislation of England. But this was also a time when extraordinary profits were made in voyages to China and the East Indies, and in circumnavigating the globe.² The inducements offered by the ocean carrying trade, as a whole, were of such a nature that the shipping of the United States had been increased to 202,000 tons in 1789.

The facts brought out in the above discussion probably warrant the conclusion that the Americans were not only their own ocean freighters, as claimed by Mr. King, but that they were also entitled to a considerable international credit for ocean freights, and as the result of privateering, throughout almost, if not quite, the entire period. No attempt will be made to express in dollars and cents the amount of this credit; but there are counterbalancing debits of a like indefinite nature to be offset against it.

One of the most considerable exports of the United States found no place in the customhouse records of Great Britain. Successful as the Americans seemed to have been in navigating ships their skill and natural advantages in building them were still more remarkable. The aptness of the people of New England was noticed by Josiah Child as early as 1680. He was undoubtedly correct in his estimate of their ability. During the eighteenth century the United States probably sold more ships to people of other countries than any other nation. That ardent friend of the colonies, Mr. Burke, tells us that the New England merchants were accustomed to build ships and take them loaded

¹ On this Revolutionary commerce see WEEDEN, *Economic History of New England*, chap. xx.

² WEEDEN, chap. 22.

with colonial produce to southern Europe. There they sold their cargoes and did a freighting business until they were able to sell the ships. They carried away the proceeds of the entire transaction in bills of exchange on London. Mr. Sheffield in writing of the conditions about 1770 says: "America had robbed us, at least for a time, of a corn trade that sometime ago brought in to us as much as almost any article of export; and she was rapidly robbing us of the ship-building business."¹ Again he says: "At the conclusion of former wars, many of the numerous artificers in the different branches of ship building, as well as our sailors, were discharged; and almost all the merchant ships employed in this country were built in America, and our artificers and sailors were obliged to go there and to different foreign states for employment."²

In 1721, Massachusetts was making about 6000 tons a year and selling the most of it to England and the West Indies.³ There were forty-three sail on the stocks in Boston at one time in 1736,⁴ and as many as 164 at one time in 1741. Boston built forty-one topsail vessels in 1738, but the number had decreased to fifteen in 1749.⁵ The average tonnage of these vessels in both the latter years was over 150 tons. Now it does not seem possible that over one-half the tonnage built at that time in Boston could have been in vessels averaging over 150 tons burden, for the average tonnage of the whole British marine fifty years later was only 106 tons per vessel. But if it was not, Boston must have built over 12,000 tons in 1738. It can hardly be doubted that throughout a very large part of this period Massachusetts must have averaged over 7500 tons a year. Very few facts can be ascertained in regard to the production in other colonies. Ships of their own building were a principal item in the payment for imports by the citizens of Rhode Island.⁶ Ships were one of the principal exports from the colony of New

¹ SHEFFIELD, *Observations*, p. 98.

² *Ibid.*, p. 99.

³ *New York Colonial Documents*, vol. v. *Report of the Board of Trade*.

⁴ WEEDEN, *Economic History of New England*, p. 612.

⁵ *Ibid.*, p. 651.

⁶ *Report of Governor Ward*, 1734.

Hampshire,¹ and we have already noted several instances of remarkable activity in the ship-building industry in other colonies.² In the years 1769, 1770, and 1771 Massachusetts built but a trifle over one-third of the entire output of the colonies.³ The entire product of the colonies during these years averaged between 21,000 and 22,000 tons.

These facts, taken together, probably warrant the assumption of an average annual output of 15,000 tons, or a total of 1,050,000 for the first seventy years of the period. It is not to be supposed that in the remaining years of the period, they could have exported any considerable amount of shipping. Different authors note their activity in ship building during and after the Revolution, but it is to be remembered that besides making good the ravages of the English during the war, it was necessary for them, in order to obtain the 202,000 tons they owned in 1789, not only to make good the usual decay in shipping but also to increase their probable tonnage from before the war by about 50 per cent.

What part of the production of 1,050,000 tons previous to 1770 did the colonists require to keep up their own shipping? We have estimated the amount of such shipping at the beginning of the period to have been about 30,000 tons, and near its close about 130,000 tons. For the present purpose we may assume their average holding for the seventy years to have been the average of these two figures or 80,000 tons. Then if we suppose that this tonnage had to be replaced four times previous to 1770, which is rather an extreme supposition,⁴ we have the demand of the colonists during that period fixed at 320,000 tons. This gives 730,000 registered tons as the amount available for export during the period. Thomas Irving, Inspector General and Register of Shipping,⁵ and other authorities of that time add one-third to the registered tonnage to obtain the real

¹ BELKNAP, *History of New Hampshire*.

² See p. 36.

³ MACPHERSON, *Annals of Commerce*, vol. iii. p. 571.

⁴ See as to average life of ships. W. W. BATES, *American Marine*.

⁵ MACPHERSON, *Annals of Commerce*, vol. iii. p. 571.

tonnage. It is probable, therefore, that the total exports amounted to at least 900,000 tons. A large part of this was sold in the West Indies and in southern Europe at a considerable profit above cost of production. To determine what the average cost of production was is a very difficult matter. Sheffield, in a note that appears to have been prepared with some care, says that the cost of vessels built and equipped in the colonies varied from £7 10s. to £10 10s.¹ Weeden says that prices were sometimes as low as £3, but if the contracts upon which such statements are based, are investigated it will be found that they were either for bare hulls or that some part of the materials were furnished.² The data at hand seem to warrant the assumption of £10 per ton as the lowest probable price for the whole export, and the placing of nine million pounds to the credit of the United States as the result of such exports previous to the year 1789.

No unimportant item in determining the international indebtedness of a country are the losses and gains of the individuals who engage in international business. No method has been discovered even in our own time for making the facts concerning these items amenable to record or systemization. The most that can be hoped therefore in regard to them is that it may be possible to present facts in sufficient number and of such a character as to justify an opinion regarding the general results. Governor Hutchinson's presentation of the way in which trade was carried on between the two countries will be helpful.³ In the earlier part of the century the English merchants and manufacturers had shipped freely to America on commission. The losses on such ventures became so general that anyone who embarked in the business was counted as on the sure road to failure. Later the manner of doing business was improved. The English merchants, acting as middlemen, guaranteed the home manufacturers against loss. They also furnished capital to the New England merchants and received in payment a commission on

¹ SHEFFIELD, *Observations*, p. 163, n. ³ HUTCHINSON, *History of Massachusetts*.

² SMITH, *History of Newburyport*, p. 72.

the goods exported. Interest was charged on accounts after they had been running from six to nine months. Bad debts were probably not more frequent at that time in America than in England. We learn from the Amory manuscript letters¹ that in 1720, "European goods generally sell at 700 per cent. profit." A large part of this profit is undoubtedly to be accounted for by the depreciated currency, and according to Mr. Hutchinson somewhat more than the remainder was required in the early years of the century to counterbalance the losses from bad debts, while in later years they went into the pockets of the Americans to a considerable extent. It may be worth while to note that in 1709 prices in some places were at least three times as high in the colonial as in sterling money.² This would have reduced the 700 per cent. quoted above to a very modest profit indeed.

Merchants and manufacturers were not the only ones who suffered on account of the difficulty of making collections in America. The vicissitudes of the real estate speculator and the man who loaned money on real estate security are well illustrated by the sale under execution, at £200, of a New York farm that had formerly sold at £2,700.³ Booming new towns was at one time a profitable occupation of the thrifty Marylanders, and English capitalists furnished no small part of the profits made in this occupation.⁴

Discreditable though it may be, there can be no doubt that a considerable amount of the colonial international indebtedness was balanced by the outlawing of accounts. Sheffield claims that in the period just preceding the Revolution almost three-fourths of the London merchants trading with America were bankrupt on account of poor collections. Those trading with Maryland and Virginia suffered most in this respect. Indeed there would seem to have been considerable ground for a London dispatch published by the *Independent Chronicle* in 1786, which claimed that there had been no large fortunes made by English merchants in the American trade before the Revolution. It is

¹ WEEDEN, p. 574.

³ *New York Colonial Document*, vol. vii. p. 175.

² *North Carolina Colonial Record*, vol. i. p. 715. ⁴ SHARP, *History of Maryland*.

also true that many of those who found America a good place to make money in also found it a good place to live in, and instead of taking back their gains, brought all their fortune to America.

The data here presented only suffice to show that the profits made by English capital in the American colonies, though it was unquestionably very considerable, was probably not so large as is commonly supposed and was in a very great degree offset by losses. In fact it may be assumed that these net profits were very nearly if not quite counterbalanced by the earnings of the American shipping.

The expenditures on account of the British and French armies in America during the eighteenth century, which added a very considerable credit item to the international account of the colonies, still remains to be considered. Sheffield furnishes much interesting information on this subject.

By the war of 1739, which may be truly called an	
American contest, we incurred a debt of upwards of	£31,000,000
By the war of 1755 we incurred a farther debt of	71,500,000
And by the war of the Revolt we have added to	
both these debts nearly	100,000,000

And thus we have expended	£202,500,000
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a larger sum in defending and retaining our colonies than the value of all the merchandize which we have ever sent them, we have in a great measure, disbursed this enormous sum, to secure the possession of a country that yielded us no revenue.¹

France sent (not included in the debt) [*i. e.*, the national debt of the United States] above £600,000 in specie to America, being obliged to send cash, finding her bills, for a long time, from 20 to 30 per cent. below par whilst bills on London were at the same time above par in Philadelphia and Boston. Towards the close of the war, French bills, from the punctual payments of the preceding draughts, rose nearly to par; . . . It has been asked, What has become of the money we have sent, during the war, to America? Very little money was officially sent to America after the first year or two of the war; during that period, those who had the contract for supplying the army with gold, sent out a great quantity of Portugal coin; but finding the charge of insurance and freight lessening the value of the contract, it was

¹ SHEFFIELD, *Observations*, p. 301.

contrived to supply the army without sending more specie than was just required to give the contractor's agents the command of the exchange which was done by sending small quantities occasionally . . . those agents, in different parts of America, drew upon the contractors in favor of such persons as had occasion to make remittances to England; so that, in fact, our army, on the other side of the Atlantic, was paid and supported by our manufactures instead of money, which, in some measure, may account for the apparent ease with which such expensive operations were carried on, and for the little specie that seems to be in circulation where so much expense has been incurred.¹ . . . no resource is left the Americans at this time for specie, but our fleet and army at New York.²

Again, as to the expense of England in America in time of peace. "Before the year 1755 the expense of our establishment in America was £70,000. From the peace of 1763 to the time of the stamp act, it was £370,000 yearly."³ In this connection it will be interesting to note what Lord Sheffield has to say as to the revenues afforded the home government by the American colonies. "In the time of her greatest prosperity the money which America raised was trifling." "The customs from the 5th of January 1766, when the board was established to 1775, when the trouble began, amounted to £290,000 in a little more than seven years; out of which the expense of collecting it is to be deducted. The only other revenue was the quit-rents, which were never tolerably paid, except in the south, and barely defrayed the expense of collecting."⁴

From time to time parliament made donations to different colonies or grants in compensation for services rendered by them. Appropriations of this nature amounting to at least £341,000 were made in 1761 and 1762.⁵ Pennsylvania received £80,000 for expenses during the French war.⁶ At another time £115,000 was granted to the colonies north of Pennsylvania for the same purpose.⁷ Scattered all through the colonial documents and the records of the historical societies, many items may be found

¹ SHEFFIELD, *Observations*, p. 208, n.

³ *Ibid.*, p. 245, n.

² *Ibid.*, p. 211, n.

⁴ *Ibid.*, p. 245 and n.

⁵ MACPHERSON, *Annals of Commerce*, vol. iii. pp. 346-360.

⁶ SHEFFIELD, *Observations*, p. 245.

⁷ *New York Colonial Documents*, vol. vii. p. 1.

concerning the constant drain of funds from the home government to America. Under the date of December 10, 1763, Jasper Manduit writes that a compensation of £42,700 has been paid Massachusetts for expenses in 1761.¹ The Lords of Trade recommended an appropriation of £120,000 to reimburse the colonies for expenses in 1755.² Cadwallader Colden in a letter claims that the colonists made a great deal of money by furnishing supplies to the French army during the French and Indian war.³ The attempt of Parliament to introduce the pitch tar industry in New York and the other northern colonies, seemed to be a success only as a means of drawing expense money, supplies and salaries, for Hunter, Badger, and others, from the national treasury. The account of these experiments forms an important part of the history of New York in the early part of the century.⁴ Governor Hunter, alone, expended £32,144 on the Palatines. The letters of the elder Pitt to the colonies give an expression concerning the great amount of money that the home government is about to raise for expense in the colonies which fully harmonizes with the retrospect of Sheffield on the same subject.⁵ He gave the colonies to understand that all they might spend in prosecuting the French and Indian war would be reimbursed. To bring together from the original records all the items of expenditure of the European nations in their operations in North America during the eighteenth century would be a work of years.

The items that have been presented would seem to indicate that Sheffield's more moderate claims were not beyond reason. Guided somewhat by them it may be estimated that these expenses for the first half of the century, including the expenses in Queen Ann's war, average £50,000 a year, or a total of £2,500,000; for the next twenty-five years, including the French and Indian war, an average of £200,000 a year, or a total of five million pounds and that the expenditures of the English and French

¹ *Massachusetts Historical Record*, vol. vi. p. 191.

² *New York Colonial Documents*, vol. vii. p. 1.

³ *Ibid.*, vol. vii.

⁴ *Ibid.*, vols. iv and v.

⁵ *Ibid.*, vol. vii.

armies furnished exchange enough to pay for two-thirds of the imports into the colonies during the seventies, or in round numbers 15 million pounds. If this estimate of 22.5 million pounds for governmental expenses is too small, it is quite possible that its defects in that respect are balanced by an excess of the profits on foreign capital and net expense for marine insurance, above the earnings of the American shipping, which have so far been balanced against each other. Leaving out these compensating items we have as a result of our discussion, the following statement :

The United States in account with all other countries --- 1700-1789.

DEBTOR.

To balance of trade.	-	-	-	-	-	-	£46,635,701
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CREDITOR.

By balance from ocean carrying trade,	£	9,000,000	
By expenditures of foreign govern-			
ments,	-	-	-
		22,500,000	£31,500,000
			<hr/>
			£15,135,701

International indebtedness of the United States in 1789 \$75,000,000

This amount must receive one final correction before it is presented as the result obtained through the investigation of the records of the international transactions of the period. In the discussion of the losses and gains of foreign capital, the extremely profitable investments in those evidences of state debt which were afterward exchanged for United States government securities, were not taken into consideration. Various references found in the Congressional Debates¹ give some light on these transactions. Mr. Lawrence drew attention to the fact that Pennsylvania had made such certificates legal tender at par to creditors residing within the British lines. He said that British creditors had received large sums of these certificates at their nominal value. These had afterwards been exchanged for a like amount of the registered debt which was still held by foreigners. Mr. White said that Holland had purchased five million dollars of

¹ *Annals of Congress*, 1 Congress.

the domestic debt. Mr. Boudinot spoke of certain conditions, but not of the prices of a purchase amounting to three million dollars. The only transactions mentioned by these gentlemen were those in which very large quantities were bought. The facts that foreign investors had such an amount of claims against individuals as has already been indicated, that they were in many cases very anxious to realize upon them as has been shown by quotations from Sheffield and others; and that during the years 1783-1789 these public securities could, at times, be obtained at from 10 to 15 per cent. of their face value; all warrant the inference that investments of this kind in smaller quantities, must have been very considerable. Moreover, Mr. Pitkin tells us that the foreign holdings of the domestic debt of the United States, in the first years of the nineteenth century exceeded 30 million dollars.¹

These considerations are assumed to warrant the addition of five million dollars to the amount indicated by the statement of account and 80 million dollars is presented as the result of the first step in the process of investigation suggested at the beginning of the article. The second step—the testing of the result obtained by comparing it with all evidences of international indebtedness on the part of the United States existing in 1789—is next in order. But the invoicing of international credit relations is still an art of the future, and to undertake anything of the kind for the year 1789 would be futile. Nevertheless a rude test of a composite nature may be attempted. According to the report of the Register of the United States the indebtedness of the national government to foreign governments in 1789 was over 12 million dollars. The amount of old obligations of the colonists incurred before the Revolution, which were assumed by the government through a convention with Great Britain, amounted to nearly three million dollars.² Now it is not an extreme presumption to suppose that in this last amount we have all the pre-revolutionary obligations that were not outlawed or otherwise canceled during that eight years of disturbance. A

¹ PITKIN, *Statistical View*, p. 333.

² *American State Papers*: Class 1, Foreign Relations, vol. ii. p. 383.

rude computation of the balance of trade for the years 1784-1789 may now be undertaken :

Imports from Great Britain 1784-1789 (see page 29),	£14,000,000
Imports from all countries obtained by adding 50 per cent. (page 30),	- - - - - 21,000,000
Increase on account of the valuation of 1697 (pp. 31-32),	7,000,000
Real value of total imports 1784-1789,	- - - 28,000,000
Exports to Great Britain 1784-1789 (page 30),	- - £5,500,000
Exports to all countries in accordance with page 31,	- 11,000,000
Increase on account of the valuation of 1697, ¹	- - 3,500,000
Real value of total exports 1784-1789,	- - - 14,500,000
Imports, 1784-1789,	- - - - - £28,000,000
Exports, 1784-1789,	- - - - - 14,500,000
Balance of trade 1784-1789,	- - - - - 13,500,000
Cr, - - - - -	- - - - - \$67,500,000
Acknowledged indebtedness at the close of the Revolution,	- - - - - 15,000,000
Balance of international indebtedness thus indicated	- \$82,500,000

This test indicates that the amount first found is too small, and at the same time it suggests that the defect is due to underestimating the effect of the use of valuations of 1697 in computing the total imports of the period.² A well-known item, operating in the other direction, the export of specie during these years has not yet been taken into consideration. No satisfactory data have been found on which to estimate its amount, but it is probable that it is quite sufficient to counterbalance the error revealed by the test.

On the basis of the foregoing inquiry it seems probable that the international indebtedness of the United States in 1789 was not far from 80 million dollars. This result is not presented as a final or authoritative settlement of the question involved. Such a settlement, if it is ever reached, will have to be the work of

¹ *American State Papers*: Class I, Foreign Relations, vol. ii., pp. 383, 412, 413.

² Page 31.

many hands. Indeed, the particular figures in which the result of this inquiry have been expressed are not of primary consequence. It is more to the point if the method adopted approves itself as an effective method of discussing international accounts. By resolving the general question of international indebtedness into a series of component problems, it is hoped that any considerable error in the account will come to light, and so suggest its own correction.

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